



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO AQBA

JUN 18 1997

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION OFFICES

SUBJECT: Defense Contract Management Command Reimbursable Rate for
Non-DoD Customers

At the May 1997 Commander's Conference, we accepted an action to provide you information on how we develop our reimbursable rate, i.e., the rate we charge our non-DoD customers. This memorandum responds to your request.

The DCMC reimbursable rate is a fully burdened rate we use to charge our non-DoD customers for Contract Administration Services (CAS). The rate is developed in coordination with the DLA Comptroller and is designed to recover all costs associated with performing CAS for the reimbursable customer. It is a standard hourly rate regardless of the specific CAS function performed. We calculate the rate using the following equation:

$$\frac{\text{total costs}}{\text{total functional hours}} = \text{DCMC's proposed rate}$$

The elements (cost and hours) in this equation are derived as explained below.

DCMC's total costs are derived from the President's Budget. The costs are based upon actual accounting and budget information for DCMC. Our total costs include labor, mission travel, PCS, applicable HQ costs and other support costs, i.e., training, transportation, communications, utilities, supplies, printing, other contracts and equipment. Some of our costs are excluded from the rate determination because they do not benefit our non-DoD customers. Costs associated with DCMC's International Logistics Office (ILO), DCMDI, General Service Administration rental payments and the Standard Procurement System are excluded. The "total costs" used in determining the Fiscal Year (FY) 97 rate was \$852.5M.

The total functional hours are the product of two factors; the number of personnel comprising DCMC's functional workforce (FWF) and, the available direct work hours. The FWF includes DCMC associates who perform "hands-on" CAS in accordance with FAR Part 42. The data for the FWF comes from the Automated Civilian Personnel Data Base, which permits sorting by job series, grade, and cost code, as well as allows us to identify positions as supervisory, non-supervisory or clerical. Supervisory and clerical are excluded from the FWF. Listed below are the series and grades of DCMC associates included in the FWF:

SERIES	TITLE	GRADE
0018	Safety Specialist	GS 11 thru GS-13
0301	QA Data Analyst	GS-09 thru GS-13
0334	Software Specialist	GS-11 thru GS-12
0340	Program Management	GS-12 thru GS-14
0343	Mgmt & Program Analyst	GS-09 thru GS-13
0344	Program Assistants	GS-07
0346	Logistics Mgmt Spec	GS-11 thru GS-13
0800	Engineering	GS-07 thru GS-14
1101	Gen Business & Industry	GS-06 thru GS-14
1102	Contracting	GS 07 thru GS-14
1103	Ind Property Mgmt	GS-07 thru GS-13
1106	Procurement Tech Asst	GS-05 thru GS-09
1150	Industrial Spec	GS-07 thru GS-13
1910	Quality Assurance	GS 07 thru GS-13
2032	Packaging	GS-07 thru GS-12
2130	Traffic Mgmt	GS-07 thru GS-13
2131	Freight Rate Spec	GS-05 thru GS-09

Using this process for the FY 97 Rate calculation, we determined there were 9,768 personnel in DCMC's FWF. Next, the available hours are calculated by subtracting from 2088 (the total paid hours in a year) hours not available to the FWF to do "hands-on" CAS. The hours subtracted included leave, holiday, and training hours, obtained from the Defense Business Management System (DBMS), and estimated indirect hours, based on our analysis of PLAS data. To the resulting figure we added overtime hours, from DBMS, to determine the direct work hours per FWF associate. The total direct work hours for calculating the FY 97 rate was 1678 per FWF

employee. Multiplying the FWF by the direct work hours yields the total direct functional hours, for FY 97 this was 16,390,704.

After determining the value of these two elements we divide the total costs by the total functional hours to determine DCMC's proposed reimbursable rate. The final rate must be approved by the Under Secretary of Defense (USD) Comptroller. Using the DLA proposed rate as a starting point, the USD (Comptroller) staff validates the assumptions and data we used in developing our proposed rate and makes any necessary adjustments. USD(C) is responsible for informing NASA of the DLA and Service rates.

The rate is intended to recover the full cost of doing reimbursable business. The reimbursable experience of individual CAOs may vary from the "average," i.e., some CAOs may lose money on reimbursable business while others earn more than their costs, however, overall the command recovers its costs.

We have attached the FY 97 rate calculation spreadsheet for your review. Contact either Ms. Alyce Sullivan, AQBA, (703) 767-2433, DSN 427-2433, internet address: alyce_sullivan@hq.dla.mil or Ms. Marcia Case, AQBA, (703) 767-2394, DSN 427-2394, internet address: marcia_case@hq.dla.mil, if you have any questions.



THOMAS E. BRUNK
Executive Director
Operational Assessment
and Programming

Attachment

**REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA**

DOD COMPONENT:	DCMC	Prior Year FY 1996	Current Year FY 1997	Budget Year FY 1998	Unit Cost Report:	Percentage	Civilian Budget Year FY 1998
Gross Work-Year Cost					Direct	526,708,957	0.68
A. Total Salaries of Direct Labor Personnel	403,678,280	398,473,936	401,154,658		Indirect	157,947,086	0.20
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	10,116	9,768	9,627		G&A	89,240,316	0.12
C. Average Salary of Direct Labor Personnel	39,905	40,794	41,672		Total	773,896,359	9,627
							41,672
D. Total Salaries of Indirect Supervision & Administrative Personnel	118,728,906	115,403,099	120,296,434		Total Labor on OP-8:	589,418,739	120,296,434
E. Indirect Supervision & Administrative Salaries per FTE	11,737	11,814	12,496		Memo: AQ Labor Proj.	7,112,976	12,496
F. Total Salaries of Regional, District and Headquarters Personnel	71,237,344	63,471,704	67,967,647				67,967,647
G. Regional, District and Headquarters Salaries per FTE	7,042	6,498	7,060				7,060
H. Personnel Benefits	152,566,644	146,784,082	125,102,689				124,602,689
I. Average Personnel Benefits Cost per FTE	15,082	15,027	12,996				12,944
J. Total Average Cost of Personnel Service	73,765	74,133	74,224				74,172
K. Total Travel Costs	22,903,000	35,234,711	25,162,789				25,162,789
L. Average Travel Costs per FTE	2,264	3,607	2,614				2,614
M. Other Support Costs	91,812,000	93,118,432	65,042,075		FY 97 Other Indirect Hours: (Obtained by using PLAS data)		
N. Average Support Costs per FTE	9,076	9,533	6,757		EEO Issues		1.00
					Union Issues		2.00
O. Total Gross Work-Year Cost	85,105	87,273	83,594		Meetings		15.00
					Administrative Support		42.00
					Total		60.00
Direct Work Hours							
P. Work-Hours Available	2,087	2,087	2,088				
Q. Less Holidays	80	80	80				
R. Less Annual Leave	150	167	167				
S. Less Sick Leave	68	72	72				
T. Less Other Leave (e.g. Military, Jury, Administrative)	1	1	1				
U. Less Training Time	42	48	48				
V. Less Other Indirect Hours	114	60	0				
W.Plus Overtime Hours		19	19				
X. Total Direct Work-Hours	1,632	1,678	1,739				
Gross Cost Per Direct Hour	53.75	52.01	48.07				